

Message Text

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DRAFTED BY S/S-O:JHOGANSON

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FM SECSTATE WASHDC

TO USDEL SECRETARY PRIORITY

C O N F I D E N T I A L STATE 161983 TOSEC 060042

FOLLOWING REPEAT MADRID 4772 ACTION SECSTATE JUL 10.

QUOTE: C O N F I D E N T I A L MADRID 4772

DEPT PLS PASS TO SECRETARY

DEPT FOR AMB MCCLOSKEY

E.O. 11652: GDS

TAGS: ETRD, SP, CU

SUBJ: TREASURY FOREIGN ASSETS CONTROLS: CHRYSLER

ESPANA SALE TO CUBA

REF: (A) MADRID 3836, (B) STATE 139537; (C) MADRID 4418

1. COMMERCE MINISTER CERON REQUESTED TO SEE ME URGENTLY JULY 9 TO EXPRESS HIS SERIOUS CONCERN OVER US REFUSAL TO GRANT LICENSE FOR CHRYSLER ESPANA TO SELL 70 DODGE HEARSEs TO HERMANOS BARREIROS FOR SUBSEQUENT SHIPMENT TO CUBA. CERON DESCRIBED SUBJECT OF MEETIN G AS DISAGREE-ABLE AND "STRANGE", SINCE IT CONCERNED TRANSACTION INVOLVING "RIDICULOUS" COMMODITY, BUT HE STRESSED WITH SOME SHARPNESS THAT MATTER WAS OF UTMOST IMPORTANCE TO SPAIN BECAUSE IT INVOLVED PRINCIPLE OF SPANISH SOVEREIGNTY.

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2. CERON SAID CHRYSLER ESPANA HAD ORIGINALLY AGREED TO TRANSACTION WITH FULL KNOWLEDGE ITS CUSTOMER, BARREIROS INTENDED TO EXPORT HEARSEs TO CUBA. HE ADDED THAT HAVING ALREADY ISSUED EXPORT LICENSEs AND AUTHORIZED CREDITs TO

FINANCE EXPORT, GOS HAD SUBSEQUENTLY BEEN INFORMED THAT CHRYSLER ESPANA HAD TOLD BARREIROS THAT US TREASURY WILL NOT APPROVE SALE. CERON SAID HE WAS SHOCKED BY NEWS. WITH EXCEPTION OF FOREIGN MINISTER, HE HAD NOT BROUGHT MATTER TO ATTENTION OF OTHER GOVERNMENT MINISTERS BECAUSE HE WAS CERTAIN THERE WOULD BE EXPLOSIVE REACTION TO THIS UNACCEPTABLE INTRUSION ON SPANISH SOVEREIGNTY. HE FEARED THAT IF NOT PROMPTLY RESOLVED, ISSUE WOULD BECOME PUBLIC AND A FURTHER DIVISIVE ELEMENT WOULD BE INTRODUCED INTO US-SPANISH RELATIONS. NEITHER COUNCIL OF MINISTERS NOR SPANISH PRESS AND PUBLIC WOULD UNDERSTAND HOW GOS COULD ALLOW FOREIGN GOVERNMENT TO PREVENT SALE BY COMPANY INCORPORATED IN SPAIN (CHRYSLER) TO MAKE SALE OF A FEW HEARSES TO WHOLLY OWNED SPANISH COMPANY (BARREIROS) BECAUSE ULTIMATE DESTINATION WAS CUBA. CERON SAID KNOWLEDGE OF US DECISION WOULD INEVITABLY AFFECT GOS ATTITUDE TOWARD FUTURE UNRESTRICTED AMERICAN INVESTMENT IN SPAIN AND WOULD BE EXTREMELY DAMAGING TO US-SPANISH RELATIONS IN GENERAL. HE URGED U.S. TO RECONSIDER AND REVERSE DECISION QUICKLY TO AVOID SUCH ADVERSE CONSEQUENCES FROM TRANSACTION OF MATERIALLY LITTLE SIGNIFICANCE.

3. I INFORMED CERON THAT WHILE I UNDERSTOOD HIS CONCERN, MATTER POSED SERIOUS PROBLEM FOR U.S. SINCE US LAW AND REGULATIONS PROHIBITS ISSUANCE OF LICENSES TO ALLOW CHRYSLER ESPANA, WHICH ALTHOUGH SPANISH CORPORATION, IS 98 PERCENT OWNED BY PARENT US COMPANY, TO COMPLETE SALE OF COMMODITIES DESTINED FOR CUBA. I STRESSED THAT US LAW AND REGULATIONS ON THIS SUBJECT APPLIED EQUALLY TO COMPANIES WITH US OWNERSHIP IN WHATEVER COUNTRY THEY ARE LOCATED, AND THAT PROBLEM WAS NOT UNIQUE FOR SPAIN. (IN REPLY TO MY QUESTION, CERON SAID HE KNEW OF NO OTHER CASE INVOLVING SIMILAR PROBLEM FOR US-OWNED FIRM BASED IN SPAIN, BUT THAT PRINCIPLE WOULD BE THE SAME.) I SAID THAT, OF COURSE, I, TOO, WOULD LIKE TO AVOID ANY INCIDENT WHICH WOULD ADVERSELY AFFECT ATTITUDE TOWARD US GOVT AND US-SPANISH RELATIONS GENERALLY. I PROMISED TO REPORT GOS ATTITUDE
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EXACTLY AS HE HAD EXPRESSED IT AND REPLY TO HIM AS SOON AS POSSIBLE.

4. COMMENT: I BELIEVE THAT CERON HAS ACCURATELY CONVEYED WHAT WILL BE OFFICIAL AND PUBLIC OUTRAGE OVER WHAT SPAIN WILL CONSIDER UNACCEPTABLE INFRINGEMENT ON ITS SOVEREIGNTY. I ALSO BELIEVE THAT IT WILL BE A MATTER OF A VERY SHORT TIME BEFORE THIS ISSUE FINDS ITS WAY TO THE PRESS. SPANISH PRESS (WHICH, AS I HAVE PREVIOUSLY REPORTED, CAN HARDLY BE DESCRIBED AS EXCESSIVELY PRO-AMERICAN) WILL FLAIL US FOR PROHIBITING A SPANISH CORPORATION (ALBEIT AMERICAN OWNED) FROM COMPLETING SALE OF THESE HEARSES TO ANOTHER SPANISH FIRM FOR SALE TO CUBA. THIS SORT OF ISSUE

WILL BE GRIST FOR THE MILL OF SPANISH NATIONALISM AND THE
GOVT WILL HAVE NO CHOICE BUT TO ASSOCIATE ITSELF
FULLY WITH THIS PUBLIC SENTIMENT.

5. HAVING DEALT WITH THIS PROBLEM PREVIOUSLY IN THE DE-
PARTMENT, I FULLY UNDERSTAND THE DIFFICULTIES INVOLVED IN
MAKING EXCEPTIONS WITH RESPECT TO SALES TO CUBA. HOWEVER,
I AM CONVINCED THAT IF WE DO NOT MAKE AN EXCEPTION, WE
WILL BE CAUSING OURSELVES NEEDLESS PROBLEMS IN OUR ALREADY
COMPLICATED BILATERAL RELATIONS WITH SPAIN OVER CURRENT
DEFENSE NEGOTIATIONS. WE MAY ALSO DAMAGE THE PRESENT
FAVORABLE GOS ATTITUDE TOWARD, AND TREATMENT OF, US IN-
VESTMENT IN SPAIN. WERE THIS SALE OF GREAT MAGNITUDE IN-
VOLVING EQUIPMENT OF SIGNIFICANCE TO CUBAN ECONOMY, THE
PROBLEM MIGHT WELL BE A DIFFERENT ONE. HOWEVER, THIS
TRANSACTION INVOLVES 70 HEARSEs AND I FIND IT DIFFICULT
TO BELIEVE THAT DENIAL OF THESE HEARSEs TO CUBA IS REALLY
WORTH THE DAMAGE IT WOULD CAUSE AT THIS DELI-
CATE STAGE IN OUR RELATIONSHIPS WITH SPAIN.

6. I, THEREFORE, STRONGLY RECOMMEND THAT USG APPROVE AN
EXCEPTION FOR THIS TRANSACTION AND THAT I BE AUTHORIZED
TO INFORM CERON IN THE SHORTEST POSSIBLE TIME THAT SUCH
AN EXCEPTION HAS BEEN GRANTED. END COMMENT.
STABLER
UNQUOTE INGERSOLL

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